



**CITY OF RYE, NEW YORK  
FINANCE COMMITTEE MINUTES  
December 5, 2005 – 7:00 p.m. – Employees' Lounge, City Hall**

**Present:** Michael Caponiti, Fred Dunn, David Mullane, Jono Peters, George Pratt, and City staff liaison Michael Genito.

**Absent:** Norm MacMaster, Sal Samperi, and City Council liaison Franklin Chu.

**Guests:** City Councilmen Matthew Fahey and Gerry Seitz.

**Update on Proposed City Occupancy Tax**

Nothing new was reported on the City of Rye Occupancy Tax legislation (Assembly Bill A8015-B; Senate Bill S5387-A).

**Popular Budget Report**

Nothing new was reported on the Popular Budget Report project. Michael Genito is developing refined drafts of the report for future review.

**Real Estate Transfer Tax**

The Committee considered a revised proposal for a real estate transfer tax as outlined in a memorandum from Councilman Seitz dated November 17, 2005. Discussion concerning the revised proposal is summarized as follows:

- The City has significant and expensive infrastructure needs. These include but are not limited to streets, sidewalks, bridges, parking improvements, a police/court facility, and debt previously issued for such projects. A real estate transfer tax should be considered if the revenues derived are dedicated to the acquisition and/or construction of such capital assets, or the payment/defeasance of outstanding debt related to such assets.
- An analysis prepared by the City Comptroller shows that a top rate of 5% would be significant, 2% would be meaningful, and 1% would not be material to most buyers or sellers. The analysis most likely overstates the estimated revenues from a transfer tax to some unknown degree, as it does not exempt sales where the seller purchases another principal residence in Rye.
- The provision to exempt sales where the seller purchases another principal residence in Rye may present functional issues to City staff in implementing the exemption, and may create a barrier to passage of the legislation by the State. The concepts of confirming owner occupation, rebate periods of up to 24 months for returning residents, and other possible ways to implement the provision were discussed.
- It is unknown what effect, if any, a transfer tax would have on home sales. It was noted that the "millionaire" tax on homes valued over \$1 million that went into effect some time ago does not appear to have had any adverse effect on those sales.
- There is some concern that the dependence on a transfer tax would remove the City Council from the discipline and due process of deliberating and funding capital assets through the budget process.

- Some expressed reservations of dependence on such revenues if building activity slows and revenues decrease.
- Some expressed the view that it was “just another tax”. Others noted that it is in effect a usage tax that can provide significant revenues, and that it captures to some extent the value growth in the property that escaped re-assessment for several years. Others noted that we have to balance the issues of spreading the costs of major capital assets across the entire property tax base vs. surcharging specific users.
- To provide for the greatest likelihood of passage, the proposed legislation should replicate as much as possible similar existing legislation, including a sunset clause.
- If transfer tax legislation is enacted, the City should make a reasonable attempt to notice current and new property owners of the effective date of the legislation, in the event the owners plan to sell their property in the near future.
- A Committee member commented that the Town of Yorktown recently enacted legislation similar to that being discussed. The City Comptroller will further research the Yorktown legislation and advise the Committee of his findings.

The Committee ultimately concluded that a memo should be presented to the City Manager for further distribution to the City Council, indicating that a real estate transfer tax was conceptually interesting and bears further research and development. The memo should also request permission for the Committee to access the City Comptroller and Corporation Counsel as resources.

#### Future Finance Committee Agenda Items

The following items will be included in 2006 Finance Committee agendas:

- ❖ Updates on proposed City Occupancy Tax
- ❖ Updates on Popular Budget Report
- ❖ Development of a policy on the use of variable rate debt.
- ❖ Recommendation of a change in New York State law to increase the maximum maturity of bond anticipation notes from five years to the probable period of usefulness (“PPU”) of the underlying assets.
- ❖ Discussion regarding annual budget calendar.

#### Next Finance Committee Meeting

The next regular meeting of the Finance Committee is scheduled for Monday, January 9, 2006 at 7:00 p.m. in the Employees’ Lounge of City Hall.

#### Adjournment

Having no further business, David Mullane made a motion, seconded by George Pratt, with all in favor, to adjourn the meeting. The meeting adjourned at 9:00 p.m.

Respectfully submitted,

Michael A. Genito